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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

UNITED STATES OF AMERICA v. WILLIAM CLARENCE STEARMAN III (1)	Criminal No. ________ **3-15CR0230-P**

INFORMATION

The Acting United States Attorney charges:

INTRODUCTION

1. At all times material to this information, defendant, **William Clarence Stearman III**, was a resident of Coppell, Texas and the sole shareholder of Coppell Veterinary Hospital (CVH), located at 504 South Denton Tap Road, Coppell, Texas 75019; Stearman realized taxable income from CVH and from the Stearman Family Limited Partnership, in which **Stearman** was a 20 per cent partner.
2. Title 26, United States Code, contains all federal internal revenue laws. These laws are implemented by the Internal Revenue Service of the Department of the Treasury ("IRS") through federal regulations and rulings, to carry out its responsibility thereunder for the collection of federal income taxes.
3. Between on or about April 15, 2000, and on or about April 15, 2012, **Stearman** intentionally failed to file income tax returns for tax years 1999 through 2010, inclusive.

4. Sometime in the year 2001, the exact dates and number of accounts being unknown, **Stearman** closed his local personal bank accounts.

5. On or about December 8, 2003, and August 27, 2004, in two petitions filed in the United States Tax Court, **Stearman** appealed tax deficiencies assessed on him by the IRS for tax years 1999 through 2002, claiming, among other things, that an individual had to be in a fiduciary relationship with the United States through a specific written agreement before he or she was obligated to pay income tax.

6. On March 3, 2005, the Tax Court dismissed **Stearman's** petitions and fined **Stearman** $25,000.00 for filing frivolous petitions for purposes of delay. On or about March 23, 2005, **Stearman** appealed this judgment to the United States Court of Appeals for the Fifth Circuit (the "Fifth Circuit"), advancing the same frivolous arguments he had advanced in the Tax Court. On January 13, 2006, the Fifth Circuit affirmed the judgment of the Tax Court, in a published opinion, and fined **Stearman** an additional $12,000.00 for filing a frivolous appeal, finding that **Stearman** "did not institute the proceedings in good faith, but to harass the collection of public revenues." The Fifth Circuit labeled as "patently frivolous" **Stearman's** claim that he had no fiduciary obligation to pay taxes to the IRS.

Count One
Corrupt Endeavor to Obstruct or Impede the
Due Administration of the Internal Revenue Laws
(Violation of 26 U.S.C. § 7212(a))

1. The Acting United States Attorney incorporates by reference herein the Introduction to this Information, as if fully set forth.
2. Beginning in or about February 2006, and continuing thereafter to in or about April 2012, in the Dallas Division of the Northern District of Texas, **William Clarence Stearman III**, defendant, did corruptly endeavor to obstruct and impede the due administration of the internal revenue laws by: (a) intentionally avoiding the use of local personal bank accounts; (b) transferring title to property to, or titling personal property in nominee names, to frustrate IRS collection of income tax owed from **Stearman**; (c) disguising income derived from CVH as rent checks, and cashing the checks; (d) paying for personal living expenditures with credit cards paid with CVH corporate funds and deducting the expenditures as business expenses on CVH's corporate returns; (e) filing frivolous lawsuits against the government, making frivolous statements, and sending frivolous correspondence to IRS revenue officers; (f) intentionally failing to file personal tax returns; and (g) filing frivolous requests for IRS due process hearings.

MANNER AND MEANS

3. On February 13, 2006, **Stearman** filed a civil complaint in the United States District Court for the Northern District of Texas, seeking 50 million dollars in damages and an injunction from and against the judicial officers, officers of the court and a docket clerk who participated in the foregoing Tax Court and Fifth Circuit proceedings, and the United States of America, making the same frivolous arguments presented to the Tax Court and the Fifth Circuit. On June 29, 2006, the

District Court dismissed the complaint as to all defendants and denied injunctive relief. On July 10, 2006, **Stearman** appealed the dismissal to the Fifth Circuit, which dismissed his appeal on November 1, 2006.

4. On or about April 11, 2006, **Stearman** sent a 27-page letter, by certified United States mail, to an IRS Revenue Agent in Farmers Branch, Texas, in connection with an IRS levy on **Stearman's** property for taxes owed for tax years 1999 through 2002, inclusive, advising the agent to obtain legal counsel and setting forth the identical frivolous arguments presented to and rejected by the Tax Court, the Fifth Circuit and the U.S. District Court for the Northern District of Texas.

5. On May 17, 2006, **Stearman** purchased a 2005 Lincoln Town Car, a luxury automobile, putting the title in the name of CVH.

6. Between on or about January 1, 2007 through on or about December 31, 2010, **Stearman** had several credit cards, including two CitiBank cards and an AT&T MasterCard. The majority of expenses paid with these credit cards were for **Stearman's** personal benefit, including trips to Belize, visits to a health facility in Dallas, Texas and purchases of wine. **Stearman** paid the balances on the foregoing credit cards with CVH funds and claimed the payments as legitimate business expenses in the CVH corporate returns, all of which were prepared by **Stearman**.

7. On or about April 3, 2007, in connection with an IRS examination of **Stearman's** personal returns for tax years 2003 through 2007, inclusive, **Stearman** sent a

letter, by certified United States mail, to the assigned IRS Revenue Agent in Houston, Texas, claiming that **Stearman** was not " 'a taxpayer', i.e., a fiduciary" and that the IRS was required to produce a contract proving that **Stearman** was a taxpayer.

8. On or about September 30, 2009, in a certified letter to an IRS revenue officer in Dallas, Texas, in connection with an IRS attempt to collect taxes due and owing, **Stearman** requested a due process hearing, frivolously contending that taxpayers are fiduciaries and that **Stearman** had no agreement with the IRS to act as a fiduciary, and threatened to file a civil suit against the revenue officer personally if the officer continued efforts to collect taxes owed by **Stearman**.

9. On or about October 8, 2009, **Stearman**, in connection with an IRS examination of **Stearman's** personal returns for tax year 2006, sent a letter, by certified United States mail, to the assigned IRS Revenue Agent in Houston, Texas, demanding that the IRS produce a written agreement showing that **Stearman** was a fiduciary and that the United States was a beneficiary, as proof that **Stearman** had any tax liability.

10. On or about October 27, 2009, **Stearman**, in connection with an IRS examination of Stearman's personal returns for tax years 2003 through 2007, inclusive, sent a letter, by certified United States mail, to the assigned IRS Revenue Agent in Houston, Texas, again claiming that **Stearman** was not a taxpayer and demanding

a written signed agreement evidencing **Stearman's** duties to pay taxes or file returns.

11. On or about June 4, 2010, **Stearman**, in connection with an IRS examination of CVH for tax years 2007 through 2009, sent a note to the assigned IRS agent claiming that the officers of CVH had no obligation to the "'income tax' system."

12. On or about June 23, 2010, **Stearman**, pursuant to his request for an IRS collection due process hearing, in connection with **Stearman**'s income tax then due and owing for tax years 2003 through 2009, inclusive, after he had been specifically warned of the consequences of raising frivolous issues, sent a letter, by certified United States mail, to the IRS settlement officer in Albuquerque, New Mexico, claiming that **Stearman** was not a taxpayer and that he intended to maintain his position that the IRS produce a written agreement to the contrary.

13. On or about July 9, 2010, **Stearman** transferred title to a 1987 Pacific Seacraft sailboat from himself to SV Doctors Orders Conveyance Trust.

14. On or about February 15, 2011, **Stearman** executed a warranty deed, transferring title to the property in which CVH was located, acquired by **Stearman** in 1979, to Stearman Veterinary Trust.

15. On or about March 28, 2011, **Stearman**, in connection with an IRS examination of CVH for tax years 2007 through 2009, inclusive, sent a letter, by certified United States mail, to the IRS examining agent in Dallas, Texas, in response to an IRS publication refuting frivolous illegal tax protester argument, claimed that the

positions set forth in the IRS publication only applied to taxpayers and that taxpayers were fiduciaries and that "if [**Stearman**] ever had an agreement to be a fiduciary for purposes of the 'income tax' system, that ended years ago."

All in violation of 26 U.S.C. § 7212(a).

Respectfully submitted,

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